

29 January 2021

Freedom Foods Group Limited

In-principle agreement reached on recapitalisation

Freedom Foods Group Limited (**ASX: FNP**) is pleased to announce that it has reached an in-principle agreement with its majority shareholder, Arrovest Pty Ltd, for a recapitalisation of the business involving an issue of secured Convertible Notes (**Notes**). The in-principle agreement with Arrovest also has the non-binding indicative, in-principle support of the Company's senior lenders, NAB and HSBC.

Funding from the recapitalisation will enable the Company to materially repay its senior term and revolving secured debt and provide it with sufficient working capital and a stable capital structure to enable it to continue its financial and operational turnaround.

As announced on 16 December 2020, Freedom Foods Group had been progressing a proposed recapitalisation plan with a potential new investor to support the capital and operational turnaround of the business.

However, the potential investor, the Company and its senior lenders were not able to agree acceptable terms. Following detailed and in-depth negotiations over several months, this was unexpected and disappointing. As a result, the Company ceased negotiations with the potential investor and requested that Arrovest, the Perich family investment vehicle, step in to become the cornerstone investor in an issue of unlisted secured Convertible Notes.

Under the terms of the new in-principle agreement, Arrovest has agreed to invest up to \$200 million, with the Company having the capacity to raise further capital, although it will not be a condition for it to do so for the transaction to complete.

The proposed structure is expected to provide an opportunity for all shareholders who meet the wholesale investor requirements under the Corporations Act (2001), to participate in the recapitalisation by opting to subscribe for Notes on the same terms as Arrovest. The Company continues to explore options to provide investors who are not eligible to participate an opportunity to participate in the recapitalisation.

The proposed recapitalisation is subject to certain shareholder approvals and/or ASX waivers. Full details of the recapitalisation (including all necessary shareholder approvals and/or ASX waivers) will be provided following the conclusion of definitive documentation with the Company's senior lenders and Arrovest. The Company confirms that consistent with the approach adopted in reaching the in-principle agreement today, that the definitive documentation and terms will be reviewed and approved by the independent directors. This is expected by the end of February 2021, with the recapitalisation process expected to be completed by April 2021.

The senior lenders have agreed to extend the existing standstill agreement with Freedom Foods Group to 28 February 2021 to enable the execution of the recapitalisation documentation. A further extension would then be sought to 30 April 2021 to enable the completion of the Notes issue.

The Board welcomed the commitment of ongoing financial support from Arrovest, which would enable the company to complete its recapitalisation and continue its financial and operational turnaround.

Interim Chief Executive Officer Michael Perich said: "Despite the challenges of the past 10 months, there remains a fundamentally strong business at the heart of Freedom Foods – a market-leading dairy and plant-based beverages and nutritionals business. With the ongoing support of Arrovest, our banks and other shareholders, we have the opportunity to rebuild the business and enable it to meet its full potential."



MAKING FOOD BETTER

Freedom Foods' Independent Non-Executive Director Genevieve Gregor said: "Throughout the recapitalisation process, the Board's overriding concern has been to act in the best interests of the Company, its stakeholders and all of its shareholders. In particular, we wanted to pursue options that reduced senior debt, had the least dilutive effect on existing shareholders and provide the Company with the best opportunity to resolve the current legal claims it faces. A secured convertible note was determined as the best option."

Tony Perich AM said: "We have been committed supporters of Freedom Foods for 15 years and, despite the difficulties of the past year, we continue to believe in its potential to be one of Australia's great food and beverages companies."

Shareholders do not need to take any further action at this time.

The Company's shares will remain in voluntary suspension pending further details of the recapitalisation.

Investor inquiries:

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Authorised by the Board of Directors